

**CAPITAL SCHOOL DISTRICT**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING**  
**AGREED-UPON PROCEDURES**

**B E L F I N T**

**LYONS &**

**S H U M A N**

**CERTIFIED PUBLIC ACCOUNTANTS**



CERTIFIED  
PUBLIC  
ACCOUNTANTS  
& CONSULTANTS

1011 CENTRE ROAD  
SUITE 310  
WILMINGTON,  
DE 19805  
T: 302.225.0600  
F: 302.225.0625  
WWW.BELFINT.COM

## Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Valerie A. Woodruff  
Secretary, Department of Education  
Townsend Building, Suite 2  
401 Federal Street  
Dover, DE 19903-1402

Dr. Michael D. Thomas  
Superintendent  
Capital School District  
945 Forest Street  
Dover, DE 19904

Dear Secretary Woodruff and Dr. Thomas:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (DOE) and School District (District), solely to assist you, the specified parties, in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Section 525. Procedures were performed for student accounting and enrollment as of September 30, 2007. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2007. Management is responsible for the District's internal control over compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

### STUDENT ENROLLMENT

**Agreed-Upon Procedure Number 1:** Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

**Finding:** The State of Delaware's regulations provide guidance on processes it considers necessary for adequate internal controls over preparing, reviewing and reporting the September 30 student count. We obtained the District's written policies and procedures regarding the September 30 student count. Our review determined that the necessary processes identified by the State of Delaware are adequately included in the District's written policies and procedures.

**Agreed-Upon Procedure Number 2:** Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

**Finding:** The following schools within the District improperly reported September 30, 2007 enrollment figures to the DOE:

School	Finding
Capital Intensive Learning Center	Three students were improperly included in enrollment figures.
Dover High School	Eight students were improperly included in enrollment figures, and two students were improperly excluded from enrollment figures.  Nine part-time special-education students were improperly reported as full-time special education students.
Kent County Intensive Learning Center	One student was improperly included in enrollment figures.

The Delaware Department of Education's A Summary of Delaware Code and Department of Education Regulations for Student Accounting for the September 30 Enrollment and Unit Computation states:

"...each school shall maintain September enrollment records in a manner that will allow for efficient enrollment audits."

"...enrollment means attending school sometime during the last 10 student attendance days of September or having a legitimate reason for not attending and is expected to return prior to November 1. Supporting documentation must be on file indicating the reason for the absence and an expected return date."

Untimely updates to enrollment figures, lack of supporting documentation, confusion regarding the needs-based count and noncompliance with established policies and procedures resulted in inaccurate reporting and the loss of one special-education unit equivalent to \$77,232 of state funding.

**Recommendation:** It is our recommendation that each school review enrollment records and maintain supporting documentation regarding absences to ensure accuracy when reporting future enrollment figures to the DOE. It is further our recommendation that the District repay \$77,232 to the State of Delaware.

**District Response:** See attached letter to The Honorable Valerie A. Woodruff Secretary of the Delaware Department of Education, which addresses why the error of reporting nine part-time special-education students as full-time occurred.

***District Response - continued:*** The District acknowledges that an error did occur when reporting nine special-education students during the September 30, 2007 unit count. This error resulted in the loss of one special-education unit. The District held in reserve two Division I units and therefore, are not utilizing these units. The Capital School District intends to utilize one of these reserved Division I units as payback and process a TA in the amount of \$20,927 to transfer the remaining Division II and III units back to the State of Delaware.

***Accountant's Response:*** The District should consult with representatives within the State of Delaware and the DOE regarding the appropriateness of the above payback method.

***Agreed-Upon Procedure Number 3:*** Select ten percent (10%) or a minimum of five Individualized Education Program (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE's Administrative Manual for Special Education Services (AMSES) and calculate the dollar impact of disallowed students, if applicable.

***Finding:*** Title 14 Delaware Administrative Code Section 925, § 21 states that the public agency shall ensure that the IEP Team for each child with a disability includes the parents of the child, not less than one regular and one special-education teacher, and a representative of the public agency who has authority to commit agency resources and be able to ensure that whatever services are set out in the IEP will actually be provided. It further states that a member of the IEP Team may be excused from attending an IEP Team meeting, in whole or in part, if the absent member submits in writing to the parent and IEP Team, input into the development of the IEP Team meeting. Signatures of the required teachers and administrative personnel on the child's IEP, as well as written documentation within the IEP file regarding input into the development of the IEP Team meeting (if applicable), provide evidence that the school complied with Title 14 Delaware Administrative Code Section 925, § 21.

School	Finding
South Dover Elementary	An IEP prepared and transferred in from East Dover Elementary was not signed by a special-education teacher, and the file contained no written documentation of the teacher's input into the meeting.

Failure by the transferring school to follow established policies and procedures, combined with the receiving school's failure to review the file and properly determine and document why a signature was missing, resulted in the IEP file lacking the required documentation in accordance with AMSES. As a result, this student was reengineered from special education to regular education for September 30, 2007 unit count purposes. No units were lost in the reengineering process.

***Recommendation:*** It is our recommendation that the District review each special education file periodically to verify that each file contains the required documentation in accordance with AMSES.

***District Response:*** The District agreed with the above finding and recommendation.

***Agreed-Upon Procedure Number 4:*** Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Education Programs and confirm that the students' files contain the required documentation in accordance with the DOE's Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

***Finding:*** All files selected were current and contained the required documentation in accordance with the DOE's Administrative Directives.

## **AUTHORIZED POSITIONS**

***Agreed-Upon Procedure Numbers 1 and 2:***

- Determine if the District's control procedures for monitoring, tracking and reconciling the number of employees are adequate.
- Determine if the District's control procedures for monitoring and tracking salaries charged to the State's general fund are adequate.

***Finding:*** The State of Delaware's regulations provide guidance on processes it considers necessary for adequate internal controls over monitoring, tracking and reconciling the number of employees and for internal controls over monitoring and tracking salaries charged to the State's general fund. We obtained the District's written policies and procedures regarding these controls. Our review determined that the necessary processes identified by the State of Delaware are adequately included in the District's written policies and procedures.

***Agreed-Upon Procedure Number 3:*** Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

***Finding:*** It is our determination that the District is operating within its number of authorized positions by category.

***Agreed-Upon Procedure Number 4:*** Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

Superintendents	100%
Assistant Superintendents	100%
Principals	100%
Directors	100%
Classroom Teachers	10%

***Finding:*** All employees selected, as detailed above, were found to be correctly paid in accordance with 14 DE Code, Chapter 13.

## OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

**Agreed-Upon Procedure Number 1:** Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

**Finding:** The District chose not to request a waiver from the DOE.

**Agreed-Upon Procedure Number 2:** Review expenditure documents to determine if FY06 and FY07 occupational-vocational funds expended from July 1, 2006 through June 30, 2007 were (1) expended for State-approved occupational-vocational courses and programs within the District, (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS).

**Finding:** All expenditures examined relating to FY06 and FY07 occupational-vocational funding, were determined to be (1) expended for State-approved courses and programs within the District, (2) supported by adequate documentation and (3) were properly coded in DFMS.

**Agreed-Upon Procedure Number 3:** Review financial records to determine if FY06 and FY07 occupational-vocational funds were properly allocated to and spent by the schools within the District that generated the funding.

**Finding:** It is our determination that FY06 and FY07 occupational-vocational funds as of June 30, 2007 were properly allocated to and spent by the schools within the District that generated the funding.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record, and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

*Bellini, Lyons & Shuman, P.A.*

January 22, 2008  
Wilmington, Delaware

**Board of Education**  
Phillip Martino, Jr., President  
Raymond Paylor, Vice President  
Kiran Clements  
Tom Keitel  
Darryl Scott



**Director of Human Resources**

David W. Vaughan  
Voice: (302) 672-1507  
FAX: (302) 672-1516

**Superintendent of Schools**

Dr. Michael Thomas  
Voice: (302) 672-1556  
FAX: (302) 672-1715

January 22, 2008

The Honorable Valerie A. Woodruff  
Secretary, Department of Education  
Townsend Building, Suite 2  
401 Federal Street  
Dover, DE 19903-1402

Dear Secretary Woodruff:

The Capital School District would like to respond to the preliminary audit findings; in particular the needs based count. As stated in the report, nine part-time special education students at Dover High School were improperly reported as full time special education students under the traditional count. The audit reported confusion regarding the needs based count and noncompliance with established policies and procedures resulted in inaccurate reporting and the loss of one special education unit equivalent to \$77,232 of state funding.

Clearly, confusion was an important reason for counting those students full time under the traditional count. That confusion should rest solely on your department for not getting the correct information out and for no follow-up meetings to reassure that everyone understood the complexity of running the traditional and needs based unit count simultaneously during this transitional year.

We were introduced to this new initiative in August of 2007. We brought a team to this meeting and were handed an outline summary of needs based and counting special education students as full time under different classifications. We clearly asked questions about the likelihood of losing units and how should we count our special education students. Your department reassured us that they should be counted full time.

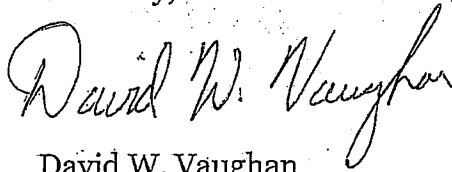
We had to initiate another meeting prior to the September 30<sup>th</sup> unit count to make sure that we were following the procedures correctly. No reference was made by your department about counting those special education students as part-time under the traditional method, while counting those same students as full-time under needs based. The lack of any follow-up meetings or communication by your department was an oversight that shouldn't have occurred. At the same time, we were dismayed to learn that a district had the option to pull out during the 2007 unit count. Why were we not giving the same option?

Our district takes pride in working closely with DOE and all audits to reassure that we are held accountable to the public we serve. But when new initiatives are introduced from your department we would expect clear thought out directions and communications. We would like to appeal this finding

Capital School District is an equal opportunity employer and does not discriminate or deny services on the basis of race, color, national origin, sex, handicap, and/or age. Upon request reasonable accommodations are available for qualified applicants with disabilities in all phases of application and employment process.

through any formal process available to our district. Additional, we want to go on record by attaching this letter to the audit findings as a rebuttal and record of the facts surrounding the loss unit.

Sincerely,

A handwritten signature in cursive script that reads "David W. Vaughan". The signature is written in dark ink and is positioned above the printed name and title.

David W. Vaughan  
Director of Human Resources

Cc: Dr. Thomas  
State's Office of Auditor of Accounts